

**The Gurkha Welfare Trust**  
**Annual Report and Accounts**

**2004/2005**

*(for the period 08 Apr 04 to 30 Jun 05)*

**Company Limited by Guarantee Number**

**5098581**

**Registered Charity Number**

**1103669**



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23/01/2006

# **The Gurkha Welfare Trust**

## **Annual report and accounts for the period ended 30 June 2005**

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**A member charity of the Gurkha Welfare Fund under the patronage of  
HRH The Prince of Wales KG KT GCB AK QSO ADC**

**Vice Patrons**

Field Marshal The Lord Bramall of Bushfield KG GCB OBE MC JP  
Field Marshal Sir John Chapple GCB CBE DL

**Trustees, Officials and Advisors**

**Trustees**

Lieutenant General Sir Philip Trousdell KBE CB (Chairman)  
J T Bach Esq  
Brigadier S P Cowlam CBE  
Mrs D Donovan  
Lieutenant General Sir Peter Duffell KCB CBE MC  
His Excellency Lieutenant General Sir John Foley KCB OBE MC (until 11/07/05)  
Colonel D G Hayes MBE (from 08/10/04)  
General Sir Garry Johnson KCB OBE MC  
Colonel M H Kefford OBE (from 20/10/04)  
Brigadier S M A Lee OBE  
G P McNaught Esq  
Major General P T C Pearson CBE  
Major General R A Pett CB MBE  
Lieutenant General Sir Anthony Pigott KCB CBE  
Colonel N A W Pope (from 11/04/05)  
Sir William Purves CBE DSO (until 11/07/05)  
Colonel W F Shuttlewood OBE (until 08/10/04)  
Brigadier D R d'A Willis CBE (until 20/10/04)

**Management Committee**

Lieutenant General Sir Philip Trousdell KBE CB (Chairman)  
Mrs D Donovan  
His Excellency Lieutenant General Sir John Foley KCB OBE MC (until 11/07/05)  
Colonel D G Hayes MBE (from 08/10/04)  
Brigadier S M A Lee OBE  
G P McNaught Esq  
Major General P T C Pearson CBE  
Lieutenant General Sir Anthony Pigott KCB CBE  
Colonel W F Shuttlewood OBE (until 08/10/04)

**Investment Committee**

Major General R A Pett CB MBE (Chairman)  
J T Bach Esq  
P M Rigg Esq  
P J Wrangham Esq

**Trustees, Officials and Advisors (continued)**

**Audit Committee**

G P McNaught Esq (Chairman)  
J T Bach Esq  
Brigadier S M A Lee OBE (from 21/04/05)  
Major General R A Pett CB MBE (until 21/04/05)

**Director The Gurkha Welfare Trust**

Colonel E D Powell-Jones OBE (until 21/01/05)  
Colonel W F Shuttlewood OBE (from 21/01/05)

**Director Gurkha Welfare Scheme**

Colonel R J J Ellis (from 28/01/05)  
Colonel P R Sharland (until 28/01/05)

**Field Director Gurkha Welfare Scheme**

Lieutenant Colonel S J M Dewing

**Investment Managers**

Newton Investment Management Limited  
Mellon Financial Centre  
160 Queen Victoria Street  
London EC4V 4LA

**Auditors**

PricewaterhouseCoopers LLP  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

**Bankers**

HSBC Bank plc  
90 Baker Street  
London W1M 2AX

**Solicitor**

A J Lutley Esq  
Springfield, Rookery Hill  
Ashted Park, Ashted  
Surrey KT21 1HY

**Trustees, Officials and Advisors (continued)**

**Registered Address**

P.O. Box 18215  
2nd Floor, 1 Old Street  
London EC1V 9XB

**Company Limited by Guarantee Number**

5098581

**Registered Charity Number**

1103669

**Trustees' report for the period ended 30 June 2005**

**(1) Background information**

The Gurkha Welfare Trust (GWT or the Trust) was initially established by trust deed in 1969. It was re-constituted, also by trust deed, in 1994. In April 2004 the Trust became a Charitable Company Limited by Guarantee (CCLG). This is the Trust's first report as a CCLG.

The Trust's Objects are:

- to relieve either generally or individually Gurkhas and their Dependants, who are in conditions of need, hardship or distress;
- to advance the education of Gurkhas and their Dependants and to advance education generally in the areas of the kingdom of Nepal where Gurkhas live;
- to train Gurkhas in a trade or occupation so as to assist them to re-establish in civilian life;
- to make provision for the medical diagnosis and treatment of Gurkhas and their Dependants who are in need of such diagnosis or treatment and for the prevention of any disease or adverse conditions which may affect any such person; and
- such other charitable purposes which are in the opinion of the Directors connected directly or indirectly with the foregoing purposes as the Directors from time to time think fit.

Governance is exercised by a Board of Trustees.<sup>1</sup> The Chairman and one of the Trustees are ex-officio appointments, the former being the Colonel Commandant Brigade of Gurkhas, the latter the Colonel Brigade of Gurkhas. Eight Trustees are nominated by the various Gurkha regiments and their associations, and between four and six Trustees are co-opted for their specialist expertise in such fields as the law, investments, banking, accountancy and corporate fundraising.

The GWT's principal purpose is to relieve hardship and distress among Gurkha ex-servicemen of the British Crown and their dependants by raising funds for individual and community aid in Nepal. This work is carried out through the Gurkha Welfare Scheme (GWS), the Trust's field arm in Nepal. The GWS's headquarters is in Pokhara which coordinates the distribution of aid through the 21 Area Welfare Centres (AWCs) in Nepal and the single AWC in India for India domiciled Gurkha ex-servicemen.

The Trust is a member of the Gurkha Welfare Fund (GWF), established in 1989 for the purpose of coordinating direction of policy and the implementation of such policy within Nepal. The other two member charities are:

**The Gurkha Welfare Trust Foundation (USA) (GWTF(USA))** which provides funds to buy medicines.

**The Kadoorie Agricultural Aid Association British Gurkhas Nepal (KAAA BGN)** which concentrates on community aid and development including bridge construction, the provision of potable water supplies and renewable energy projects. It also makes generous contributions to assist the Trust with individual aid.

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<sup>1</sup> At their meeting on 9 Dec 04, the Directors resolved unanimously that in the minutes of meetings and generally the Directors should be referred to as Trustees and the Chief Executive as the Director

**Trustees' report for the period ended 30 June 2005**

The GWS also manages and administers the building of water and sanitation projects in Nepal on behalf of the British Government's **Department for International Development (DFID)**.

The UK **Ministry of Defence (MOD)** continues to provide support in the form of some personnel and a substantial annual grant in aid to cover most of the administrative costs of running the GWS and its network of AWCs. The GWS's Director is the senior British Army officer based in Kathmandu.

**(2) Activities during the year**

**Incoming resources** in the form of investment income, legacies and fundraising totalled £7,134,000. Donations included £693,000 from the annual appeal to existing supporters and £219,000 from the annual donor acquisition appeal. Other notable donations include £175,000 contributed by all ranks of the Brigade of Gurkhas and the Gurkha Contingent of the Singapore Police Force under the "One Day Pay Scheme". Legacy income totalled £2,304,000, the majority of which was for unrestricted use. Notable bequests were £840,000 from the estate of the late Mr N McLennan and £283,000 from the estate of the late Mr E H Rothwell. During 2004/05 £4,000 was received via the Trust's trading subsidiary, GWT Trading Limited.

The Trustees wish to thank all those who have so generously supported the Trust. Through their generosity the Trust has been able to fulfil its charitable objects. No entitled Gurkha ex-serviceman or dependant in genuine need has been refused aid.

**Direct charitable expenditure in Nepal** totalling over £5.4 million consisted of grants to individuals, medical aid, community aid and support activities. To the great credit of its staff, the GWS has continued to operate in Nepal under very difficult and sometimes dangerous conditions resulting from the Maoist insurgency.

Individual aid to Gurkha ex-servicemen and their dependants is implemented by the GWS in the form of welfare pensions, hardship grants, medical aid and education grants. The demand for individual aid, which remains the principal aim of the Trust, is expected to rise in the coming years.

The payment of welfare pensions to needy Gurkha ex-servicemen and their widows continues to be the Trust's most important and costly category of expenditure. Most of these Gurkha ex-servicemen fought for Britain in World War 2 but did not serve the 15 years necessary to qualify for a military pension. At the beginning of July 2004 there were 10,246 welfare pensioners, 5,128 of them being 'sponsored' by individual members of the public and corporate donors. By the end of the period there were 10,005 welfare pensioners, 4,750 of them sponsored. On 1 July 2005 the Trustees increased the basic monthly welfare pension from NCR 2,500 to NCR 3,000 (c.£23).

The Trust's medical and key hospital scheme has continued to treat an increasing number of ex members of the Brigade and their dependants. The amount of funds committed to this aspect of the Trust's activities is rising as this scheme becomes more widely appreciated and increasingly used, and the cost and diversity of medical facilities available in Nepal continue to expand.

**UK fundraising costs** have increased slightly as a reflection of a very active and successful fundraising strategy. The Trust's investment in new fundraising database software has been particularly helpful in supporting all fundraising activities. Mention must be made of the support provided by the Trust's volunteer regional branches with which many retired British Gurkha officers are involved.

**Trustees' report for the period ended 30 June 2005**

**(3) Future demands on the trust**

The two most costly and pressing demands on the GWT's resources, both now and in the future, are the provision of welfare pensions and medical aid.

**Welfare pensions**

GWS forecasts predict that the number of welfare pensioners will gradually decrease over the next 20 to 30 years as World War 2 veterans and their widows pass away. The rate of decrease will be slow particularly because widows, some of whom are typically 10 to 15 years younger than their husbands, inherit the welfare pension. In addition, there is evidence that an increasing number of younger post World War 2 Gurkha ex-servicemen are coming forward for welfare support, in particular from amongst the 2,000 or so Gurkha soldiers who left on redundancy in the late 1960s without a military pension.

There will also be a need to sustain the level of welfare pension in the future, not just against the inflationary environment of Nepal but also to ensure as a minimum a basic level of subsistence. In addition, the needs of the welfare pensioner are increasing as the average age rises.

**Medical aid**

The provision of primary and secondary medical care to ex members of the Brigade and their dependants continues to increase. For secondary care the Trust uses the services of good hospitals now established in the major urban areas of Nepal. The fact that an increasing number of individuals receiving both primary and secondary medical treatment is a welcome development. But many welfare pensioners continue to live in remote villages, well away from easy access to any form of medical care. Their well-being is of increasing concern to the Trust. The use of medical camps in remote areas and the more regular provision of doctors at AWCs are proving to be extremely effective developments but there is much more that can be done to support the welfare pensioner community.

**Strategy review**

The Trust's strategy for the delivery of aid was last reviewed in 1998. Adjustments have been made to elements of the strategy during the intervening period but there has been no requirement for a further major review. However, the Trust now has a substantial capital base and an income from investment and fundraising at least equal to the cost of current welfare commitments. The Trust therefore has an opportunity to do more in support of individuals and communities in Nepal, especially for welfare pensioners in their declining years.

Trustees are undertaking a Strategy Review to address these key issues and to ensure that all welfare activities not only meet a genuine need but are delivered in an efficient and cost effective manner. The review will be complete by December 2005.

**(4) Administration costs**

Administration costs in the UK totalled £216,000 or 3.8% of total expenditure (2003/04 £179,000 or 3.4% of total expenditure).



**Trustees' report for the period ended 30 June 2005**

**(5) Fundraising**

The GWT's receipts from fundraising total £3,997,000, a 14% increase on 2003/04. Despite this there is increasing evidence that the number of the Trust's traditional supporters is reducing. This is because the majority of Trust supporters are typically of the age group that experienced World War 2 or National Service, probably having some personal experience of service alongside Gurkhas. Efforts are being made, with some success, to attract younger donors.

Income from legacies has risen sharply: £2,304,000 (compared to £1,018,000 in 2003/04), partly as a reflection of the increasing age of the Trust's traditional supporter, but also as a result of a successful legacy awareness campaign within the Trust's fundraising strategy.

The likelihood of reduced donor support, combined with the predicted cost of funding welfare pensions and medical aid, underlines the continuing importance of the Trust's fundraising efforts to meet these and other commitments, namely hardship grants, education and school building improvements. In addition the Trust has to be able to respond quickly to one-off disasters such as earthquakes and particularly severe monsoons.

**(6) Financial position and reserves policy**

With a clear and long term commitment to supporting the welfare pensioners in their declining years the GWT, with its current assets, is in many respects an under-funded pension and medical fund. Even at present levels of expenditure the Trust's total commitments over the next seven years, excluding expenditure funded by MOD's grant in aid, are predicted to be c.£23.6 million. A 10% compound annual increase in welfare pensions alone would cost another £5 million, increasing this commitment to £28.6 million.

In view of the Trust's long term commitments to both individual and community aid Trustees believe that it would be prudent for the foreseeable future to continue to maintain reserves at least equivalent in amount to the projected expenditure for seven years. However, with an ageing welfare pensioner population there is clearly more the Trust could and should do in their support, especially during their declining years, within the objects of the Trust. The Strategy Review is designed to identify the additional support needed, its cost and to advise how it is best provided. Once the Review is complete, Trustees will carry out a re-appraisal of the Trust's financial position and Reserves policy.

**(7) Investment policy and performance**

The GWT's investment objective is to continue to seek a reasonable long-term overall return at moderate risk with no restrictions on investment. The market witnessed a marked improvement over the period which led to a healthy increase in the value of the Trust's investments. The Trust is well supported by its investment managers: Newton Investment Management Limited. The Investment Committee meets quarterly with the investment managers to review the performance of the fund.

**(8) Risk assessment**

The Trustees have examined the major risks which the Trust faces in the UK and in Nepal and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen those risks.

The following committees oversee the work of the Trust on a routine, ongoing basis:

**Trustees' report for the period ended 30 June 2005**

Main Trustees' Committee	- all Trustees	- half yearly meetings.
Management Committee	- 8 Trustees	- quarterly meetings.
Investment Committee	- 2 Trustees	- quarterly meetings.
Audit Committee	- 3 Trustees	- minimum 2 meetings per year with the auditors.

**(9) Responsibilities of trustees in relation to financial statements**

The Trustees prepare financial statements for each year which give a true and fair view of the state of affairs of the Trust as at the end of the financial period, and of its incoming resources and application of resources for the period. In preparing the financial statements, appropriate accounting policies have to be used and applied consistently, and reasonable and prudent judgements and estimates have to be made. Applicable accounting standards have to be followed as do the requirements of the Charities Act 1993, the Companies Act 1985 and Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2000). The Trustees are also responsible for safeguarding the assets of the Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities. Proper books of account must be kept in respect of the affairs of the Trust. The financial statements have to be prepared on a going concern basis unless it is inappropriate to assume that the Trust will continue to operate.

**(10) Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the charitable company will be proposed at the annual general meeting.

By order of the Trustees.



Sir Philip Trousdell  
Lieutenant General, Chairman  
6<sup>th</sup> December 2005

**Independent auditors' report to the members of the Gurkha Welfare Trust**

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes.

**Respective responsibilities of trustees and auditors**

The trustees are also directors of the Gurkha Welfare Trust for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Trustees.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs at 30 June 2005 and of its net incoming resources, including its income and expenditure, and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

6 December 2005

**Statement of financial activities for the period ended 30 June 2005 (including the income and expenditure account)**

					2004/05	Proforma (see note 1) 2003/04
	Notes	Unrestricted General £000	Designated £000	Restricted Income £000	Total £000	Total £000
<b>Incoming resources</b>						
<i>Investment income</i>	3a	784	49	0	833	610
<i>Legacies</i>	3b	2,240	0	64	2,304	1,018
<i>Donations</i>	3c	1,287	0	2,574	3,861	3,393
<i>Activities for generating funds</i>	3c	136	0	0	136	101
<i>Activities to further the charity's objects:</i>						
<i>Government grants:</i>						
Ministry of Defence		0	0	853	853	823
Department for International Development		0	0	1,438	1,438	1,110
<b>Total incoming resources</b>		<b>4,447</b>	<b>49</b>	<b>4,929</b>	<b>9,425</b>	<b>7,055</b>
<b>Less: cost of generating funds</b>						
Fundraising costs		493	0	8	501	491
Investment management fees		81	0	0	81	41
	5	574	0	8	582	532
<b>Net incoming resources</b>		<b>3,873</b>	<b>49</b>	<b>4,921</b>	<b>8,843</b>	<b>6,523</b>
<b>Resources expended</b>						
<i>Direct charitable expenditure in Nepal</i>						
Grants to individuals	4a	112	26	2,244	2,382	2,514
Medical aid	4b	331	0	131	462	391
Community aid	4c	96	36	647	779	762
Support costs in Nepal:	4d					
borne by MOD		0	0	711	711	707
borne by DFID		0	0	982	982	638
borne by GWT		25	0	67	92	89
Administration in the UK	5	216	0	0	216	179
<b>Total resources expended</b>		<b>780</b>	<b>62</b>	<b>4,782</b>	<b>5,624</b>	<b>5,280</b>
<b>Net income</b>	6	<b>3,093</b>	<b>(13)</b>	<b>139</b>	<b>3,219</b>	<b>1,243</b>
<b>Net gains / (losses) on investment assets</b>	10	<b>2,898</b>	<b>222</b>	<b>0</b>	<b>3,120</b>	<b>1,775</b>
<b>Net movement in accumulated fund</b>		<b>5,991</b>	<b>209</b>	<b>139</b>	<b>6,339</b>	<b>3,018</b>
<b>Net assets transferred from predecessor trust</b>		<b>19,082</b>	<b>1,392</b>	<b>385</b>	<b>20,859</b>	<b>17,841</b>
<b>Fund carried forward</b>	7,8&9	<b>25,073</b>	<b>1,601</b>	<b>524</b>	<b>27,198</b>	<b>20,859</b>

There are no other gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been prepared. All of the Trust's activities are derived from continuing operations.

The notes on pages 13 to 22 form part of these accounts.

## Balance sheet at 30 June 2005

	Notes	2004/05		Proforma (see note 1) 2003/04	
		£000	£000	£000	£000
<b>Investments</b>	<b>10</b>		<b>25,820</b>		<b>20,192</b>
<b>Current assets</b>					
Debtors	<b>11</b>	<b>956</b>		<b>391</b>	
Cash		<b>812</b>		<b>569</b>	
		<hr/>		<hr/>	
		<b>1,768</b>		<b>960</b>	
<b>Current liabilities</b>					
Accruals and deferred income	<b>12&amp;13</b>	<b>(390)</b>		<b>(293)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>1,378</b>		<b>667</b>
			<hr/>		<hr/>
<b>Net assets</b>			<b>27,198</b>		<b>20,859</b>
			<hr/>		<hr/>
<b>Representing:</b>					
<b>Unrestricted funds</b>					
General	<b>9</b>		<b>25,073</b>		<b>19,082</b>
Designated	<b>7&amp;9</b>		<b>1,601</b>		<b>1,392</b>
			<hr/>		<hr/>
			<b>26,674</b>		<b>20,474</b>
<b>Restricted funds</b>	<b>8&amp;9</b>		<b>524</b>		<b>385</b>
			<hr/>		<hr/>
			<b>27,198</b>		<b>20,859</b>
			<hr/>		<hr/>

Approved by the Trustees on 6 December 2005 and signed on their behalf by:



**Sir Philip Trousdell**  
Lieutenant General, Chairman  
6 December 2005

The notes on pages 13 to 22 form part of these accounts.

## Cash flow statement for the period ended 30 June 2005

	Notes below	2004/05 £000	Proforma (see note 1) 2003/04 £000
<b>Net cash inflow from operating activities</b>	<b>(a)</b>	<b>1,918</b>	<b>593</b>
<b>Returns on investments and servicing of finance</b>			
Investment income received		833	610
<b>Capital expenditure and financial investment</b>			
Purchase of investments		(7,050)	(11,829)
Proceeds from sale of investments		4,135	10,795
<b>Net cash (outflow) / inflow before management of liquid resources</b>		<b>(164)</b>	<b>169</b>
Cash deducted / (added to) from short term deposits		407	(215)
<b>Increase / (Decrease) in cash in the year</b>		<b>243</b>	<b>(46)</b>
Net cash resources at 1 July 2004		569	615
<b>Net cash resources at 30 June 2005</b>	<b>(b)</b>	<b>812</b>	<b>569</b>
(excluding cash and short term deposits held as part of investment portfolio)			

**Notes:****(a) Net cash inflow from operating activities**

Net income	3,219	1,243
(Increase) in debtors	(565)	(194)
Increase in accruals and deferred income	97	177
Investment income received	(833)	(610)
Investments donated by legacy	0	(23)
	<b>1,918</b>	<b>593</b>

**(b) Analysis of net funds**

	30 Jun 2005 £000	1 Jul 2004 £000	Cash flow in year £000
Cash	812	569	243
Cash and short term deposits held as part of investment portfolio	3,530	3,937	(407)
	<b>4,342</b>	<b>4,506</b>	<b>(164)</b>

**Notes to the accounts for the period ended 30 June 2005****1. Basis of preparation**

The accounts are drawn up in accordance with applicable accounting standards, including the requirements of the Statement of Recommended Practice (SORP) 2000, 'Accounting and Reporting by Charities' and the Companies Act 1985.

The financial statements have been prepared in accordance with the historical cost convention as modified for the revaluation of investments.

In line with many other charities, the trustees took the decision to change the legal status of the charity from a charitable trust to an incorporated charity (a company limited by guarantee). The incorporated charity was established on 8<sup>th</sup> April 2004. The transfer of trusteeship of the assets of the charity took effect from the end of business on 30<sup>th</sup> June 2004. These are the first financial statements of the incorporated charity. The figures (proforma) included for 2003/04 are the 2003/04 results for the predecessor unincorporated charity and have been included for comparative purposes only.

The GWT has not prepared consolidated financial statements for itself and its wholly owned subsidiary GWT Trading Ltd, because the group is medium-sized as defined by Financial Reporting Standard 2. Information concerning the subsidiary company is given in note 10. In accordance with the SORP the net assets of the branches are included in the accounts.

The other members of the GWF, namely GWTF(USA) and KAAA, are independent charities and prepare separate accounts.

**2. Principal accounting policies**

A summary of the more important accounting policies, which have been applied consistently, is set out below:

**(a) Investments**

Listed investments are stated in the balance sheet at their middle market values. All movements in value arising from investment changes and revaluations are included in the Statement of Financial Activities (SOFA).

**(b) Income**

Income from equity investments, bank interest, donations, legacies and net income from fundraising are all included in the accounting period on a receivable basis, when there is a legal entitlement and the amount can be quantified with reasonable accuracy. Government and other grants are credited to incoming resources in the period in which they are receivable. When government and other grants are received in advance they are treated as deferred income.

**(c) Expenditure**

All expenditure is included in accordance with the accruals concept. Any liabilities as a result of legal or constructive obligations committing the Trust to expenditure have been included.

## Notes to the accounts for the period ended 30 June 2005 (continued)

**2. Principal accounting policies (continued)**

Cost of generating funds comprise those costs directly attributable to fundraising and managing the investment portfolio. Administration in the UK comprises the costs of running the Trust's London office. Staff costs have been allocated to fundraising and administration on the basis of time spent on each function.

Grants payable to individuals are subject to conditions. They are recognised as expenditure when the conditions attached to them have been fulfilled.

**(d) Foreign currencies**

Assets and liabilities in foreign currencies are converted into sterling at the exchange rate ruling at the balance sheet date. Transactions during the year in foreign currencies, mainly Nepalese rupees, are converted into sterling at the average rate of exchange for the year. Differences in exchange are accounted for in direct charitable expenditure in Nepal.

**(e) Pensions**

The Trust makes contributions to individual defined contribution pension plans held by the employees and does not operate a separate pension scheme for the Trust. Pension contributions are charged to the SOFA on the basis of amounts payable for the period.

**(f) Fund accounting**

Funds held by the Trust are either:

*Unrestricted general funds* – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees.

*Designated funds* – these are funds set aside by the trustees out of unrestricted general funds for specific purposes.

*Restricted funds* – these are funds that can only be used for particular restricted purposes within the objects of the Trust. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

**3. Incoming resources**

	2004/05	Proforma
	£000	2003/04
		£000
<b>a. Investment income</b>		
Dividends	634	485
Transitional tax credit	3	8
Interest	196	117
	-----	-----
	<b>833</b>	<b>610</b>
	=====	=====



## Notes to the accounts for the period ended 30 June 2005 (continued)

## 3. Incoming resources (continued)

*b. Legacies*

Of the total sum of £2,304,000 (2003/04: £1,018,000) received from legacies during the year, £840,000 was received from a single legacy from the late Mr N McLennan and £283,000 from a single legacy from the late Mr E H Rothwell both for unrestricted use.

*c. Donations and activities for generating funds*

	2004/05	Proforma 2003/04
	£000	£000
Donations from individuals	2,928	2,513
Donations from companies, trusts, clubs and organisations	838	737
Other income	95	143
	-----	-----
	3,861	3,393
Fundraising events	136	101
	-----	-----
	3,997	3,494
	=====	=====

Donations from individuals include contributions under the 'One Day Pay Scheme' of £175,000 (2003/04: £167,000) made by all ranks of the Brigade of Gurkhas (including Nepali contract civilians) and the Gurkha Contingent of the Singapore Police.

## 4. Direct charitable expenditure in Nepal

*a. Grants to individuals*

	2004/05	Proforma 2003/04
	£000	£000
Welfare pensions: 10,246 welfare pensioners at the beginning of the year and 10,005 at the end (2003/04: 10,836 and 10,246 respectively).	2,266	2,395
Hardship grants: 463 cases (2003/04: 523).	24	30
Education and other grants: 1,702 students benefited (2003/04: 1,715).	92	89
	-----	-----
	2,382	2,514
	=====	=====

*b. Medical aid*

	2004/05	Proforma 2003/04
	£000	£000
	462	391
	=====	=====

## Notes to the accounts for the period ended 30 June 2005 (continued)

**4. Direct charitable expenditure in Nepal (continued)**

The Trust supported 99,273 attendances (2003/04: 95,323) for medical aid, of which 41,195 individuals (2003/04: 44,791) benefited from primary and secondary health care treatment and 10,684 patients (2003/04: 6,107) benefited from treatment at five KAAA funded eye/dental camps.

*c. Community aid*

	2004/05	Proforma 2003/04
	£000	£000
GWT funded:		
Schools construction, support and maintenance	323	290
DFID funded:		
Water schemes and projects	456	472
	<u>779</u>	<u>762</u>

The GWT's schools programme consisted of the construction of 8 schools and the completion of 95 minor school projects (2003/04: 8 and 88 respectively). Over 33,000 students benefited (2003/04: 30,000).

DFID water projects involved 66 new schemes (2003/04: 71) and the maintenance and repair of 33 existing ones (2003/04: 23). In total 1,076 tap stands and 16 school latrines were installed or renewed (2003/04: 1,010 and 22 respectively). Over 20,800 people benefited (2003/04: 16,350).

*d. Support costs in Nepal*

	2004/05	Proforma 2003/04
	£000	£000
GWS (funded mostly by MOD):		
Staff costs – 155 employees (2003/04: 164)	589	618
Administration costs and infrastructure improvements	214	178
	<u>803</u>	<u>796</u>
DFID (funded wholly by DFID):		
Staff costs – 138 employees (2003/04: 131)	467	405
End of contract payment	117	-
Administration costs	160	200
Infrastructure and experimentation	238	33
	<u>982</u>	<u>638</u>
<b>Total</b>	<u><b>1,785</b></u>	<u><b>1,434</b></u>

## Notes to the accounts for the period ended 30 June 2005 (continued)

**5. UK fundraising and administration costs:**

	Proforma	
	2004/05	2003/04
	£000	£000
Staff salaries and benefits	195	179
Social security costs	20	20
Defined contributions pension costs	17	14
Temporary staff	25	13
Investment management fees	81	41
Audit fee, excluding VAT	12	13
Appeals and advertising	332	340
Office and other costs	116	91
	<u>798</u>	<u>711</u>
Apportioned as follows:		
Fundraising costs	501	491
Investment management fees	81	41
	<u>582</u>	<u>532</u>
Cost of generating funds	582	532
Administration costs	216	179
	<u>798</u>	<u>711</u>

In 2004/05 the Trust employed in the UK 5 full time equivalent employees (2003/04: 5 full time employees). Staff salaries and office and other costs are apportioned between fundraising and administration on the basis of the estimated time spent on each activity.

No employee of the Trust earned more than £50,000 in either year.

Some temporary staff are also employed by the Trust from time to time.

In 2004/05 expenses were refunded to two trustees (£1,566) for travel and subsistence in respect of a visit to Nepal and attendance at meetings at the GWT London office. (2003/04: no remuneration or expenses were paid to any trustee).

Trustee indemnity insurance has been purchased at an annual premium cost of £2,572 (2003/04: £3,938) inclusive of insurance premium tax.

**6. Net income for the period****This is stated after charging:**

	Proforma	
	2004/05	2003/04
	£000	£000
Audit fees, excluding VAT (UK and Nepal)	16	17
Other auditors' remuneration	6	5
Operating lease payments (expiring within 2 to 5 years)	17	16
	<u>39</u>	<u>38</u>

## Notes to the accounts for the period ended 30 June 2005 (continued)

## 7. Unrestricted funds of the charity

Unrestricted funds, both general and designated, are expendable at the discretion of the Trustees in the furtherance of the Trust's objectives. The designated funds have been earmarked by the Trustees for particular purposes but the designations have an administrative purpose only and do not legally restrict the Trustees' discretion to apply the funds.

The Trust's designated funds consist of monies contributed or donated by the following:

	Balance at 1 July 2004 £000	Incoming resources for the year £000	Outgoing resources or the year £000	Net investment gains £000	Balance at 30 June 2005 £000
<i>For grants to individuals:</i>					
Welfare pensions:					
R A Newton bequest	13	0	(13)	0	0
	-----	-----	-----	-----	-----
Educational purposes:					
Sir Omar Ali fund	236	8	(8)	38	274
Walker fund	79	3	(3)	12	91
Ochterlony fund	43	2	(2)	7	50
	-----	-----	-----	-----	-----
	358	13	(13)	57	415
	-----	-----	-----	-----	-----
<i>For community aid:</i>					
School builds:					
Trailwalker UK fund	1,021	36	(36)	165	1,186
	-----	-----	-----	-----	-----
<b>Total designated funds</b>	<b>1,392</b>	<b>49</b>	<b>(62)</b>	<b>222</b>	<b>1,601</b>
	=====	=====	=====	=====	=====

The initial funds of the GWT in 1994 were contributed by the old GWT (£9,587,000), the Sir Omar Ali Fund (£189,000) and the Walker Scholarship Fund (£64,000). The latter two funds were established to fund education in Nepal. They are no longer accounted for separately but the Trustees ensure that expenditure on education continues although there is no legal obligation to do so.

In 1997 the Trailwalker Charitable Trust (Trailwalker) transferred £1,023,000 of its capital to the GWT on the understanding that it will be used for school building and maintenance in Nepal and identified within the GWT's funds in the same way as the Sir Omar Ali and Walker Scholarship funds. Similarly, in December 1997, E W Ramsay Esq donated a capital sum of £50,000 to the GWT on the understanding that it should be known as the Ochterlony Fund in memory of his great, great, great grandfather Major General Sir David Ochterlony Bt GCB and used to fund education grants for children of needy Gurkha

## Notes to the accounts for the period ended 30 June 2005 (continued)

## 7. Unrestricted funds of the charity (continued)

ex-servicemen in Nepal. This sum is also managed and identified within the GWT's funds in the same way as the aforementioned funds. The Trustees intend to respect the wishes of the Trailwalker Charitable Trust and E W Ramsay Esq although there is no legal requirement to do so.

## 8. Restricted funds of the charity

Restricted funds consist of unexpended amounts of monies contributed or donated for specific purposes.

	Balance at 1 July 2004 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Balance at 30 June 2005 £000
<b><i>Grants to individuals:</i></b>				
Welfare pensions	34	1,355	(1,368)	21
Hardship	0	22	(22)	0
Education	3	36	(34)	5
General individual aid	0	820	(820)	0
	-----	-----	-----	-----
	37	2,233	(2,244)	26
Medical	0	88	(88)	0
	-----	-----	-----	-----
	37	2,321	(2,332)	26
	-----	-----	-----	-----
<b><i>Community aid</i></b>	181	219	(191)	209
	-----	-----	-----	-----
<b><i>Director GWS Discretionary Fund</i></b>	76	95	(67)	104
	-----	-----	-----	-----
<b><i>UK fundraising and administration</i></b>	5	3	(8)	0
	-----	-----	-----	-----
<b><i>MOD Grant in Aid</i></b>	86	853	(754)	185
	-----	-----	-----	-----
<b><i>DFID grants</i></b>	0	1,438	(1,438)	0
	-----	-----	-----	-----
<b>Total restricted funds</b>	<b>385</b>	<b>4,929</b>	<b>(4,790)</b>	<b>524</b>
	=====	=====	=====	=====

## Notes to the accounts for the period ended 30 June 2005 (continued)

## 9. Analysis of net assets between funds

	General funds £000	Designated funds £000	Restricted funds £000	Total £000
Investments	24,219	1,601	-	25,820
Current assets	1,244	-	524	1,768
Current liabilities	(390)	-	-	(390)
	<u>25,073</u>	<u>1,601</u>	<u>524</u>	<u>27,198</u>

## Notes to the accounts for the period ended 30 June 2005 (continued)

<b>10. Investments</b>	<b>2004/05</b>	<b>Proforma</b>
	<b>£000</b>	<b>2003/04</b>
		<b>£000</b>
<b>Listed investments</b>		
<i>Fixed interest</i>		
UK	2,306	1,651
Overseas	332	229
	-----	-----
	2,638	1,880
	-----	-----
<i>Equities</i>		
UK	12,368	10,131
Japan	522	319
Europe	2,401	1,176
North America	1,759	999
Latin America	280	166
Pacific Basin	760	529
Other Overseas	1,227	760
	-----	-----
	19,317	14,080
	-----	-----
<i>Property unit trusts</i>	335	295
	-----	-----
	22,290	16,255
	-----	-----
<b>Cash held as part of investment portfolio</b>	<b>3,530</b>	<b>3,937</b>
	-----	-----
	<b>25,820</b>	<b>20,192</b>
	=====	=====

Major movements in investments during the year were:

	<b>£000</b>
Opening market value	16,255
Purchases	7,050
Sales	(4,135)
Realised and unrealised gains	3,120
	-----
Closing market value	<b>22,290</b>
	=====

The historical cost of investments at 30 June 2005 (excluding investment cash) was £19,078,000 (30 June 2004: £15,829,000).

No investment individually contributed more than 5% of the value of the accumulated fund.

## Notes to the accounts for the period ended 30 June 2005 (continued)

**10. Investments (continued)***Investment in subsidiary:*

At 30 June 2004 and 2005, GWT owned 100% of the issued share capital of GWT Trading Ltd, being 2 ordinary shares with a nominal value of £1. The trading subsidiary had turnover of £5,000 for the year (2003/04: £8,000). Profit of £4,000 (2003/04: £7,000) was donated to the GWT by deed of covenant. Net assets at 30 June 2005 were £2 (2004: £2).

**11. Debtors**

	2004/05	Proforma 2003/04
	£000	£000
Accrued investment income	35	38
Amount due from subsidiary	8	8
Prepayments	23	16
Other debtors	890	329
	-----	-----
	956	391
	=====	=====

**12. Accruals and deferred income**

	2004/05	Proforma 2003/04
	£000	£000
Other creditors and accruals	100	75
Deferred income (note 13)	290	218
	-----	-----
	390	293
	=====	=====

**13. Deferred income**

Deferred income consists of DFID grants received and disbursed on its behalf on community aid, principally water projects, and support costs.

	2004/05	Proforma 2003/04
	£000	£000
Balance at 1 July 2004	218	36
Grant received	1,510	1,292
Released to statement of financial activities	(1,438)	(1,110)
	-----	-----
Balance at 30 June 2005	290	218
	=====	=====